State of California—Health and Human Services Agency
Department of Health Services

California Department of Health Services
DIANA M. BONTÁ, R.N., Dr. P.H.
Director

California Partnership for Long Term Care
California Department of Health Services

GRAY DAVIS
Governor

January 21, 2003

Dear Interested Parties:

Enclosed is an "Invitation to Participate" with the California State Department of Health Services (CDHS) and its special program, the California Partnership for Long-Term Care, in an exciting effort to increase the sale of long-term care insurance (LTCI) to middle-income consumers. CDHS is seeking a single contract with a single insurance company (or collaborating entities) that will develop and market Partnership-certified individual and/or group policies to active employees, retirees, their spouses, parents and parents-in-law. The successful Proposer will design and offer a LTCI product or products, and devise innovative marketing strategies directed at significantly increasing sales to middle-income Californians.

We are concerned about a very real issue affecting California employers and our economy– employees missing time from work to deal with aging parents and relatives. Eldercare is now on track to replace childcare as **the** dependent care issue in America, with one out of three workers caring for an aging relative. A report in the *Wall Street Journal* states that every employee with a caregiving problem is going to cost the employer $3,142 a year in lost productivity.

There is a solution. Studies have shown that employees who care for elderly or sick relatives with LTCI are twice as likely to stay in the workforce as those caring for non-insured relatives. The State of California and the Federal government have responded by offering LTCI for their own employees, retirees and their family members. However, the CDHS, through the Partnership, has determined that many employers have neither the time nor the knowledge to determine which LTCI products might best serve their own employees. These employers have indicated that it would be helpful if the State could identify and endorse a high-quality insurance carrier and product design(s) for them.

Why is the State interested in increasing private LTC coverage? With the aging of the baby boomers, California's 65+ population is expected to double in the next 28 years, from 3.6 million to 7.2 million. This changing demographic, coupled with spiraling health care costs, will place an increasing burden on California's long-term care (LTC) delivery and financing system. As you know, neither Medicare nor health plans pay for more than minimal LTC. Thus, Californians who need LTC have three payment options – savings, LTCI, or Medi-Cal following depletion of personal assets to $2,000. Most middle-income persons do not have sufficient funds to pay tens of thousands of dollars annually for LTC services, should such services be needed, nor do they

Flex your POWER
Do your part to help California save energy. To learn more about saving energy, visit the following web site:
www.consumerenergycenter.org/flex/index.html

1801 7th Street, 1st Floor; P.O. Box 942732; Sacramento, CA 94234-7320
(916) 323-4253 Fax: (916) 323-4238
Internet Address: www.dhs.ca.gov/cpltc

have LTCI. Tax-based, publicly funded health care programs such as Medi-Cal and Medicare will be unable to absorb future LTC costs.

In response to this looming problem, the Partnership has been authorized to raise consumer awareness of this issue and work with the insurance industry to develop affordable, high quality private LTCI policies. The legislation for the Partnership program also authorizes CDHS to provide a special safety net for people who purchase Partnership-certified LTCI policies. In the event an individual exhausts Partnership LTCI benefits, Medi-Cal will continue to pay their ongoing LTC costs without requiring them to spend down all their savings. Over 38,000 Californians are currently protected by Partnership-certified policies, but we need to encourage LTCI purchase by an additional 2.4 million middle-income consumers, including younger workers, pre-retirees, early retirees and their spouses, parents, and parents-in-law.

The Partnership is looking for insurance companies that have the financial stability and customer service experience to design, offer, insure and administer a high quality LTCI product to small and mid-size businesses. The Partnership believes the involvement of employers, unions and other organizations can facilitate focused and efficient educational, sales, enrollment and premium collection efforts. We believe that the affinity of employees, retirees, members and their families for employer sponsors or other organization sponsors, combined with consumer confidence in the messages and product endorsement offered by the State, will encourage the purchase of Partnership LTCI protection with the unique Medi-Cal asset protection feature. (Please see the enclosed brochure "Asset Protection: A Special Benefit Created for Californians".)

Through the responses received to this ITP, CDHS will assess each Proposer's understanding of the LTCI industry, the needs of the Partnership, and the employer market; how the Proposer will develop and implement successful employer, union, or association outreach strategies for marketing the approved policies in the work site; whether the Proposer has the LTCI experience relevant to the ITP, the financial stability, and the resources to fulfill the contractual obligations of the resulting agreement; and the reasonableness of premium rate quotes and their underlying components/assumptions.

Responses to this ITP are due March 17, 2003. We hope you will participate in this valuable effort. Any questions regarding this ITP should be directed to this office at (916) 323-4253.

Sincerely,

Sandra Pierce-Miller

Sandra Pierce-Miller, Project Director
California Partnership for Long-Term Care

Enclosures

A. PURPOSE

The California Department of Health Services (DHS or Department), California Partnership for Long-Term Care (hereafter called "Partnership") is issuing this Invitation to Participate (ITP) to solicit proposals from private entities to increase the sale of long-term care insurance to middle-income consumers. The Partnership is seeking a contract with a single insurance company that will develop and market Partnership-certified individual or group policies, through employers, employee unions, or employee associations, to employees, retirees, and their spouses and parents. The successful Proposer will design and offer a long-term care product or products, and devise innovative marketing strategies directed at significantly increasing sales to middle-income Californians. The successful Proposer will also administer all claims made under any issued policies.

The Partnership will provide the successful Proposer the State's product endorsement, and will conduct public education efforts on the value of purchasing long-term care insurance. The Partnership estimates that there is a large untapped market for these insurance products, totaling at least 2.4 million individuals statewide.

The insurance policies developed under this contract must meet all applicable requirements of the California Insurance Code (commencing with § 10232) and the requirements for Partnership certification in the California Code of Regulations (Title 22, §§ 58000 et seq.). The services to be performed under this contract will be similar to those described in Exhibit A, entitled "Scope of Work."[1] The specific terms of the scope of work (as well as other terms and conditions of the contract) will be negotiated between the Department and the successful Proposer, and will be finalized at the time a contract is executed.

The Partnership will accept proposals from long-term care insurance carriers, from third party administrators affiliated with long-term care insurance carriers, and from other entities involved in the sale, administration, and distribution of long-term care insurance or similar products. The Department will accept proposals from any entity that meets the qualification requirements contained in this ITP, which may include commercial businesses and nonprofit organizations. A proposal must be submitted by a single entity, which has the capacity to perform all requirements contained in this ITP.

B. MAJOR GOALS

Through this procurement, the Partnership is seeking an entity (or collaborating entities) that will work to significantly increase the sales of Partnership-certified policies - - through the use of all the following means:

1. The development and distribution of products targeted at employees, which can be made available through employers and employee unions (or other employee organizations), for sale to active employees, retirees, and the parents and in-laws

[1] "Exhibit A" is provided as a model only.

of active employees and retirees. Employers and unions solicited to sponsor Partnership products should be willing to do all of the following:

(a) Endorse or otherwise support the purchase of Partnership-certified products by inclusion of Partnership plans in their benefit offerings.

(b) Provide access for targeted education and marketing efforts for long-term care insurance products.

(c) Accommodate the collection of premiums through payroll and pension deductions.

2. The development and implementation of various marketing and distribution strategies that will result in significant numbers of middle-income consumers applying for Partnership LTC insurance coverage. Although the Partnership seeks a Contractor that will primarily focus on sales through employers and employee associations, the Partnership will also consider additional proposals for increasing sales, such as direct mail campaigns and different forms of agent distribution.

3. The development and implementation of a direct-response system, through which plan sponsors (employers, unions, employee associations and other organizations) and applicants can obtain information about plan options and apply for coverage.

4. The use of limited policy choices to reduce consumer confusion and to enable an applicant to make choices about coverage from the options described in written materials.

5. The development of Web-based educational materials, offering individuals the ability to evaluate policy options, estimate premiums, and complete an application over the Internet.

Note: The Contractor must advise any employer or employee union solicited to sponsor a long term care plan about the obligations associated with offering a benefit to employees or members with respect to the federal Employee Retirement Income Security Act of 1974 ("ERISA"), Title 29, United States Code, Sections 1001 –1461.

C. BACKGROUND

In California, Medi-Cal (the State's Medicaid program) bears 45% of all nursing facility expenses. Medi-Cal's obligation to pay the costs of long-term care (LTC) will be significantly increased by the aging of baby boomers. California's age 65+ population is expected to nearly double in the next 28 years, from 3.6 million to 7.2 million. The result of these factors is that, if left unchanged, the Medi-Cal program will devote a larger

portion of its resources to long-term care services. The aging of California's population, coupled with spiraling health care costs, will place an increasing burden on California's long-term care system and on the State's Medi-Cal budget.

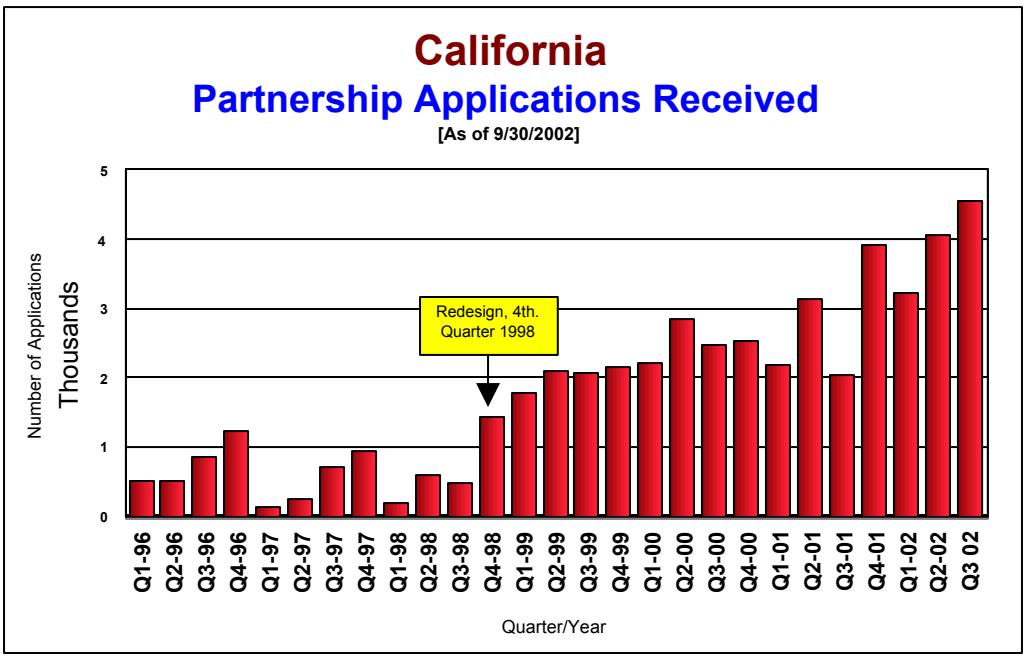
A proposed solution to this looming problem was the development of the Partnership for Long-term Care. Legislation was enacted in 1990, which added sections 22000 –22013 to the Welfare and Institutions Code, and authorized the sale of long-term care insurance policies bearing the endorsement of the State of California. The Partnership started operations in 1994 with seven participating insurers, and currently works with six companies (Bankers Life and Casualty, CNA Insurance, John Hancock Life Insurance Company, GE Financial Assurance, Transamerica Occidental Life Insurance Company, New York Life Insurance), and the California Public Employees Retirement System (CalPERS). These entities offer affordable, high-quality insurance protection to people with middle levels of income and assets, who cannot afford policies with longer or lifetime coverage. These are individuals who, without some insurance coverage for long-term care, are likely to become impoverished by the high costs of LTC, and, thereafter, become dependent on Medi-Cal and other public social services.

Since their initial introduction, Partnership policies have been improved to standardize many aspects of benefit design and cost. In many respects, Partnership policies are now very similar to non-Partnership policies. However, unlike most commercial LTC insurance policies, Partnership policies include mandatory inflation protection, which protects the purchasing power of the policy benefits, and Medi-Cal asset protection, which can in many cases result in lifetime long-term care benefits at significantly lower cost than traditional commercial policies.

Partnership policies were redesigned in 1998 to adapt to changes in the California Insurance Code, and allow the policies to offer federal income tax deductibility under the Health Insurance Portability and Accountability Act of 1996 (HIPAA). The State legislation that incorporated the HIPAA requirements also mandated that all LTC policies sold in California include many of the consumer protection provisions that were already included in Partnership policies. This change in state law made Partnership policies more competitive in the market.

In order to further enhance the competitiveness of Partnership policies, the Partnership revised its regulations to allow certified policies to offer lifetime coverage, and to increase the amount of daily nursing home coverage that could be offered. In addition, the Partnership changed its eligibility criteria for nursing home benefits from an inability to perform 3 activities of daily living (ADLs) to only 2 ADLs.

Since the policies were redesigned, 42,688 applications have been received, increasing the total number of applications received to 52,476 as of September 30, 2002. The graph below shows the progression of applications received since product redesign.



The increase in applications after redesign reflects that the Partnership has been successful in steadily increasing sales. As of September 30, 2002, there have been 52,476 applications received, with 43,191 policy sales.

D. PARTNERSHIP POLICY DESIGN

Partnership-certified policies are designed to be attractive to middle-income consumers:

1. Both the Department of Health Services and the State Department of Insurance have approved the policies, thereby providing substantial consumer confidence in the products' quality.

2. The policies have built-in consumer protections and provide high-quality coverage. The policies are designed to reduce a policyholder's out-of-pocket expenses when long-term care is needed. Policies must also include inflation protection that increases the policy benefits annually, to help the insurance keep up with increases in the cost of care.

3. The policies must provide care coordination, so that policyholders can utilize all available resources to obtain care, and not rely solely on policy benefits to pay for needed care. This helps to maintain needed services as long as possible.

4. The policies' home and community-based care benefit is provided as a monthly pool of money (not as a daily benefit), allowing policyholders the flexibility to use covered services when needed.

5. The policies provide an exclusive "Medi-Cal Asset Protection" feature. This feature enables individuals who cannot afford an insurance policy with lifetime coverage to

purchase a shorter duration Partnership policy and still have all their long-term care needs met. If the private insurance coverage runs out before a policyholder's need for LTC ends, a Partnership policy allows the policyholder to continue receiving LTC benefits through the Medi-Cal program, and simultaneously retain personal assets Medi-Cal would have otherwise required to be depleted. This results in greater LTC coverage, at lower cost to the policyholder[2].

E. NEW DISTRIBUTION METHODS

To date, Partnership-certified products have been primarily sold through an agent distribution system in the private insurance market. We have determined that a direct-response distribution system can be an effective method for increasing sales of LTC policies. The State of California, through the California Public Employees Retirement System (CalPERS), has used such a direct-response method, through which CalPERS members are invited to enroll by mail during open enrollment periods. The Partnership believes now is the time to replicate the success of the CalPERS long-term care program by bringing the same opportunity to employees of small- and medium-sized businesses in California. These businesses make up the majority of the employment base in the State.

The Partnership seeks an entity that will distribute Partnership-certified group or individual products through employers, unions, and employee associations. The Contractor may use employers, unions and similar organizations to facilitate educational, sales, and enrollment efforts, and for premium collection. It is anticipated that the affinity that employees and retirees have with their employer (or other sponsors) will encourage a greater number of people to purchase LTC policies.

F. POTENTIAL MARKET

The Partnership has some evidence, based on discussions with employee benefit managers, that many employers would be very interested in bringing to the attention of their employees LTC insurance policies endorsed by the State of California. These employee benefit managers have indicated that they neither have the time nor the knowledge to sort through all of the available LTC insurance products to determine which might be the best for their employees. The employee benefit managers have indicated that it would be helpful if the State could identify high-quality LTC insurance products for them to offer to their employees.

In 2001, the Partnership estimated that the market totals over 2.4 million Californians between ages 55-74 with sufficient income and assets for whom the purchase of LTC insurance makes meaningful and substantial economic sense. Additionally, the insurance product the Partnership envisions will be offered to a younger, active work

[2] This ITP used the term policyholder to refer to an individual plan participant (a person, or covered life). The Partnership recognizes that if a successful Contractor (winning Proposer) issues any resulting true group LTC plans, individual insured persons would hold certificates of coverage rather than policies. Group policies would be held by the plan sponsor (e.g., employer.)

force, along with early retirees and spouses, who are more likely to be interested in purchasing insurance protection. The parents and in-laws of active employees are also an important part of this potential market.

The Partnership will assist the Contractor by providing tools for employees to use in successfully discussing the topic of LTC with their parents, and how they can protect their assets through the purchase of LTC, including policies with less than lifetime coverage.

G. CONTRACT TERM AND SCOPE OF FUNDING

The term of the agreement resulting from this ITP is expected to begin on July 1, 2003, through as long as February 28, 2010. The earliest effective date of LTC insurance coverage is expected to be January 1, 2004, and an extension of this agreement beyond January 1, 2005, is subject to the extension of the Department's authority to certify long-term care policies for inclusion in this program. This authority will, unless extended by the Legislature, expire on that date. Historically, the Partnership has had strong support in the Legislature.

The State of California is not providing any direct funding to the successful Proposer under this agreement, nor will it be subsidizing consumer purchases of LTC insurance. However, the State will provide its endorsement of any products certified under the Partnership program, and will guarantee the special Asset Protection feature. The Contractor must absorb the total cost of selling and servicing these products, including, but not limited to, the development, production and distribution of educational campaigns and materials regarding its products, the product design effort, the insurance coverage (claim expense), and the related administration, distribution, and claim adjudication functions.

The selected Contractor will also be required to provide a minimum of $25,000 in cash annually to support the Partnership's general consumer education efforts.

H. ITP ELEMENTS AND REVIEW PROCESS

Each Proposer should describe its approach to achieving the goals and objectives described in Paragraphs A and B above. Each Proposer should describe its understanding of the LTC insurance industry and the State's objectives.

The proposal should also describe how the Proposer's knowledge, capabilities, experience, and financial structure are adequate to perform the services under this contract, as described in Exhibit A hereto, entitled "Scope of Work."[3] The Proposer' s strategies will be evaluated for viability and effectiveness.

[3] "Exhibit A" is provided as a model only. The specific terms of the scope of work will be negotiated between the Department and the successful Proposer, and will be finalized at the time a contract is executed.

The following is a description of each of the elements that should be addressed in a proposal, and the submission requirements for each element:

1. Proposer Knowledge and Understanding.

Proposals should include a discussion of the Proposer's basic qualifications. Proposals should describe the Proposer's understanding of the LTC insurance industry and the Partnership's requirements, and the Proposer's strategies for increasing the sales of Partnership insurance policies. The proposed strategies will be evaluated for viability and effectiveness. Proposals should also include a discussion of the Proposer's ideas for penetrating the employer market, and how employer-sponsored LTC products and sales can be priced and conducted.

2. Proposer Capabilities and Relevant Experience.

Each Proposer should explain in detail its capacity to achieve the goals of the Partnership, including the Proposer's experience with employers, unions and associations (affinity organization outreach), education and marketing plans, underwriting, enrollment and billing processes, customer service, claims administration, care coordination, reporting, and benefit design. Proposers should include details about each of the following:

a. Employer or Other Affinity Organization Outreach

Each Proposer should explain in detail its capability to develop and implement a successful employer and employee outreach strategy. Proposers should include evidence of their ability to distribute materials about Partnership-certified policies to employees through employers, unions, and employee associations.

b. Consumer Education and Marketing

Each Proposer should demonstrate its capacity to develop and distribute an employee solicitation and education packet, which should include materials designed for the target population. The Proposer should demonstrate its capacity to develop consumer education and solicitation materials that are appropriate for each of the distribution methods proposed. The target population for this effort includes California residents between the ages of 40 and 74 with assets greater than $36,500 (excluding residence and personal vehicles). Proposals should include a detailed work plan for all marketing and enrollment activities related to the products that the Partnership will certify, and describe the core elements of the communication and marketing strategy for this offering. Proposals should describe how parents and parents-in-law of employees will receive educational and enrollment materials and any strategies for increasing the number of applications from parents, parents-in-law, and extended family members. Proposals should describe whether a phased approach will be used for distributing the product and, if so, whether the phase-in schedule will be based on geographic regions, employer types and sizes, or other criteria. Proposals should also describe the budget allocated for marketing and advertising the proposed products. Proposals should describe whether agents will be used in the distribution activities, and how they will be

compensated. Explain their role and the organizational system in place to support the agent distribution network.

c. Underwriting

The Contractor will be responsible for all underwriting activities that will affect applicant acceptance into, and the claim risk borne by, the proposed Partnership plans to be insured by the Contractor. Proposals should include a standard field-underwriting manual and describe any proposed changes to meet the requirements for this offering. Proposals should also include a copy of self-screening tools and the application questionnaire(s) in current use (including print-outs of any electronic questionnaires), as well as a summary of any proposed substantive changes for this offering.

d. Claims Administration and Care Coordination

Care management and coordination are integral parts of the CPLTC program. In accordance with CPLTC regulations, Proposers must contract with and utilize the services of a Care Management Provider Agency (CMPA) approved by the Department to conduct these functions. The CMPA must be independent from the Proposer, and the Proposer must conduct ongoing monitoring of the performance of the CMPA.

Proposals should describe the roles and responsibilities of the Proposer's claims administration staff, and those of the care management staff within the CMPA during the eligibility confirmation and benefit approval process. Proposals should describe the required qualifications for the personnel who will review ADL and/or cognitive impairment documentation for purposes of releasing benefits. Proposals should describe the claims payment process, including quality control and supervision of claims processors. Proposals should be specific about what is done and who in your organization performs each task, and how various functions interact.

For purposes of responding to this ITP, "care management and coordination" means those activities described in Paragraph H.4, below.

3. Financial Features.

Premium/Rates - Proposers must submit rate quotes in the form specified in Exhibit B. Policies must offer automatic (built-in) inflation protection to assure that policy benefits keep pace with expected increases in LTC costs. Proposers must provide premium rate quotes, which will be evaluated for adequacy and reasonableness. A major goal of the Partnership is premium stability, and the resulting low rates of policy lapse.

Proposals must include the Rate Quotations Forms attached as Exhibit B. In completing the Rate Quotations Form, Proposers should **exclude** standard commissions. The premiums should be proportional to the applicable daily benefit (i.e., if all other provisions are equal, premiums for a $200 maximum daily benefit should be 2x (double) premiums for a $100 maximum daily benefit).

Separate from the rate quotes, proposals should provide standard rates for agent commissions –first year, second year and the date and amount (percent) at which they stabilize. Proposals should provide any additional amounts charged that are not paid to agents (i.e., "overrides"). Additionally, proposals should note any other methods of compensation that could reduce premium costs should agent or other distribution approaches be used.

Proposals should provide the following information with regard to billing:

If billing is normally by mail on a quarterly basis (to be used for review of pricing at this time, and may be negotiated with CPLTC), specify any surcharges or discounts in the following format for:

	% Surcharge	or	**% Discount**
a) Electronic funds transfer	_____		_____
b) Bi-weekly billing (26 times/year for employer groups only) or	_____		_____
c) Semi-monthly billing (24 times/year for employer groups only) or	_____		_____
d) Monthly billing or	_____		_____
e) Semi-annual billing or	_____		_____
f) Annual billing	_____		_____

The Proposer should describe its rate-setting process. The proposal should show the impact, if any, of the following factors on premiums:

a) Lapse rates
b) Mortality rates
c) Morbidity rates
d) Interest rates
e) A sampling of claim costs by duration at five-year intervals beginning at age 37
f) Expense charge assumptions, including education and marketing budget as well as the required annual contribution to the CPLTC
g) Risk and profit charge

The Proposer should identify each of its plan's anticipated lifetime loss ratios. The proposal should show the following components of the lifetime loss ratio, using a 6% interest rate. (Do not include the change in the active life reserve in the loss-ratio calculation.)

a) Claims costs (excluding claims adjudication and case management)

b) Marketing and promotion (non-commission costs)
c) Commission costs
d) Policy issuance costs
e) Policy maintenance costs
f) Claims adjudication and case management costs
g) Premium taxes
h) General administration costs
i) Risk and profit charges
j) Other costs (define what these include).

The Proposer should describe its guidelines for investment of reserves, the categories of investment for these funds, and the expected rates of return.

Accounting and Reporting - The selected Contractor will be required to submit an annual accounting, within 90 days of the end of each fiscal year, in a prescribed form, with the following information:

- Premiums received
- Claims paid or charged
- Administrative expenses charged
- Risk charges
- Investment earnings credited
- The reserve balance based
- The actuarially determined reserve amounts for IBNR claims, active life reserves, and disabled life reserves.

4. Care Management and Coordination

Care management and coordination are integral parts of the Partnership program. In accordance with Partnership regulations, Proposers must contract with and utilize the services of a CMPA approved by the Department to conduct these functions. The CMPA must be independent from the Proposer, and the Proposer must conduct ongoing monitoring of the performance of the CMPA.

For purposes of this contract, “care management and coordination” means:

- The performance of a comprehensive individualized face-to-face assessment, at the time benefits are requested, and conducted in the client's place of residence;
- The development of a Plan of Care;
- The performance of a comprehensive, individualized reassessment at least every six months;

- When desired by the policyholder and determined necessary by the CMPA, the coordination of appropriate services and ongoing monitoring of the delivery of such services; and
- The development of a discharge plan when the CMPA services, or the Policy benefits, are about to be terminated and if further care is needed.

5. Proposer's Relationship with Nursing Facilities

The Partnership is interested in supporting the development of relationships between the insurance companies and long-term care providers. Such relationships can improve the quality of care received by policyholders, improve health outcomes, reduce costs to the policyholder, and streamline payment of claims for providers.

If the Proposer has negotiated discounts or other special arrangements with certain LTC providers, the Proposer should identify the following:

- Any ownership or management interest the proposer may have in LTC providers;
- The numbers and types of providers in California with which the Proposer has a relationship;
- The discounts offered in California, overall and by type of provider;
- The Proposer's plans to expand its network to other areas;
- Whether plan enrollees will have preferred access to provider services (e.g., will plan enrollees have priority on any waiting list for space in any residential care facility or nursing facility);
- Whether the use of participating providers affects policy benefit levels, elimination periods, or the maximum duration of benefits;
- The methods the Proposer will use to select providers with which to negotiate discounts;
- Any incentives offered to providers to participate (e.g., simplified billing or expedited claim payment); and,
- Any programs the Proposer has implemented with LTC providers to improve quality of care or provide education to policyholders that might prevent or delay the need for long-term care.

6. DISPUTE RESOLUTION

Proposers should describe their process for resolving disputes about any of the following:

- Eligibility to receive benefits
- Amount of benefits provided
- Claim reimbursement timing
- Providers covered under the policy or available in the network
- Whether you require or are willing to use arbitration or outside claim reviewers.

I. FURTHER SELECTION PROCESS

Firms that submit proposals that are judged to have merit will be asked to make an oral presentation to a review panel. Presentations should address the goals of this procurement, and the Proposer's marketing, enrollment and claims processes, as well as other topics. Only firm(s) that are deemed to respond satisfactorily in the oral presentation will be considered for a contract award. Additionally, the Partnership, in its sole discretion (as it deems necessary after reviewing all proposals), may request further information from each Proposer, or engage in a further selection process to choose among the various entities responding to this ITP.

If a further selection process is initiated by the Partnership, any or all of the following elements may be included:

1. A multiphase formal procurement with scoring
2. Additional question sets directed to any or all Proposers
3. Additional interviews or meetings with Proposers on particular topics.

Topics to be covered by a Proposer in a further selection process may include (but are not limited to):

1. The Proposer's understanding of the goals for this procurement, and the Proposer's strategy for marketing the Partnership products;
2. The Proposer's capabilities to conduct outreach and education, to prepare reasonable marketing plans, to conduct enrollment and billing, and to provide customer service, claims administration, and care coordination;
3. Details about the Proposer's marketing, enrollment, and benefit eligibility verification procedures;
4. Plan Design;
5. Details about the Proposer's premium rates, and the bases for those rates.
6. Details about efforts to improve the quality of administrative and LTC services received; and,
7. Details about efforts to educate policyholders in preventive measures to avoid the need for long-term care.

J. CONTRACT AWARD

The Contract will be awarded to the Proposer that the Department, in its sole discretion, determines is the most responsive and responsible firm meeting all of the requirements for this procurement.

K. DEPARTMENT CONTACTS

The Department's Contract representative during the term of any agreement resulting from this procurement will be:

Sandra Carol Miller
1801 7th Street, First Floor
PO Box 942732
Sacramento CA 94234-7320
(916) 323-4253
(916) 323-4238 Fax

The Department may, at its sole discretion, redesignate its representative.

L. CONFIDENTIALITY OF PROPOSALS

In responding to this ITP, Proposers may submit materials that may contain confidential trade secret information as defined in California Civil Code section 3426.1, subdivision (d). Accordingly, the Proposer should comply with the requirements set forth below in responding to requests for information from any other person or entity:

1. If a Proposer includes any confidential trade secret information in its proposal, it should disclose that fact and clearly identify such information so that the information may be protected from disclosure.

2. Any confidential trade secret information which is received by the Department, and which has been identified in accordance with Paragraph (1), above, shall not be disclosed by the Department to any person or entity without the Proposer's express written authorization.

3. At the end of the ITP Process, or if the ITP process is terminated prior to its completion, the Department will return all of the information described in Paragraph 2, above, along with all copies thereof, to the person or entity that provided it. In the alternative, and upon the Proposer's consent, the Department will destroy the information (including all copies) in the Department's possession (by shredding or similar means), and by erasing all versions on computer hard drives, computer discs.

Public access to any confidential, proprietary, or trade secret information, (hereinafter "proprietary information"), which was submitted to the State in response to this ITP, shall be governed by the California Public Records Act (Gov. Code section 6250 et seq.).

M. ITP SCHEDULE/TIMELINE

Proposals responsive to the ITP are due ~~March 17, 2003~~ March 31, 2003.

Exhibit A – Scope of Work

1. The Contractor agrees to provide to the California Department of Health Services (CDHS) the services described herein: design, market, underwrite and administer selected long-term care (LTC) insurance plans to be endorsed by the California Partnership for Long-Term Care (Partnership or CPLTC). The Contractor will develop and implement innovative strategies and distribution systems that will significantly increase the extent to which middle income consumers are protected against the costs of LTC through the purchase of high quality LTC insurance products. The CPLTC endorsed offering will be targeted to employers, unions, associations and organizations.

2. The services shall be performed at location(s) designated by the Contractor, either at a central facilitation center and/or at various statewide locations accessible by the Contractor.

3. The services shall be provided, at a minimum, from Monday through Friday, 8 a.m. to 5 p.m., Pacific Time, except on Federal and California State holidays. Additional recognition will be given to Contractors offering extended customer service hours and weekend coverage.

4. The Project Representatives during the term of this agreement shall be:

Department of Health Services:	Contractor:
Sandra Carol Miller	Name of Contract Manager
Phone: (916) 323-4253	Phone: (XXX) XXX-XXXX
Fax: (916) 323-4238	Fax: (XXX) XXX-XXXX

Direct all inquiries to:

Department of Health Services:	Contractor:
California Partnership for Long-Term Care	Name of Firm
Attn: Sandra Carol Miller	Attn: Name of Contract Manager
1801 7th Street	Street Address
P.O. Box 942732	P.O. Box Number
Sacramento, CA 94234-7320	City, State Zip Code
Phone: (916) 323-4253	Phone: (XXX) XXX-XXXX
Fax (916) 323-4238	Fax: (XXX) XXX-XXXX

Either party may make changes to the information above by giving written notice to the other party. Said changes shall not require an amendment to this agreement.

5. This invitation is open to all eligible firms and/or individuals that meet the qualification requirements, including commercial businesses, non-profit organizations, and other entities. The Contractor may be a single insurance company or be comprised of more than one insurance company, or other entities, aligned together to respond to this ITP.

6. The Contractor must be licensed to sell insurance in the State of California. In the case of a Contractor comprised of more than one company, the licensure requirement can be met by the companies collectively.

7. Relationships with subcontractors, partners or members of a joint contracting entity cannot be exclusive. This means that each company is free to enter into more than one contracting arrangement with the CPLTC, at the outset of the contract as well as in any re-procurement.

8. If the Contractor is a subsidiary of another business entity, and the proposal relies in any way on the business experience of that entity, the Contractor experience submission requirements of this ITP shall also apply to the other business entity. The Contractor shall clearly identify whether the experience discussed is that of the Contractor or the other business entity.

9. Services to be Performed

All services performed by the Contractor (long-term care insurance carriers, health care plans, third party administrators affiliated with long-term care insurance carriers, public or private pension funds, and/or consortiums of LTC insurance carriers and marketing firms, etc., and other parties involved in distributing long-term care insurance) shall be in compliance with the California Insurance Code (Division 2, Part 2, Chapter 2.6) and the California Code of Regulations (Title 22, Social Security/Division 3./Subdivisioin I. California Medical Assistance Program/Chapter 8). The Contractor(s) is (are) expected to provide the following services:

A. Enhancement of Future Distribution and Marketing Approach

1) Develop and implement marketing and distribution strategies that will result in large numbers of middle-income consumers applying for Partnership LTC insurance coverage. The Partnership wants to focus on the employer market; however, the CPLTC will also consider alternatives such as direct mail response to individuals, agent distribution, etc.

2) Develop and distribute group or individual products at the worksite to active employees and retirees, through employers, unions and associations in order to reach the middle-income consumer. Because job productivity depends on less dependency on employees by purchase of products by their parents and parents-in-law, significant distribution and marketing efforts must be directed to parents and parents-in-law of the employees and retirees. The marketing of the product must involve building on the affinity felt by employees, retirees, and their family members for those organizations with which they are affiliated. In most cases, we expect that employers and other organizations choosing to offer CPLTC products would:

   a) Endorse the purchase of Partnership products by their sponsorship, perhaps as part of family-friendly, total work/life benefit offerings;

   b) Serve as focal points through which targeted education and marketing efforts can be run; and,

   c) Facilitate the collection of premiums through payroll and pension deductions.

3) Develop a centralized direct-response system, from which plan sponsors (employers, unions, associations and organizations), as well as potential and current applicants can obtain information needed to select plan options or obtain the assistance of an agent, if agents are part of your distribution strategy.

4) Develop a limited and carefully designed product portfolio of Partnership policies to reduce confusion and enable the recipient of an enrollment package to make a choice as to the coverage they desire from the options described.

5) Offer web-based educational material, to allow individuals to model product design configurations, review product options, calculate premiums, and complete an application. The CPLTC reserves the right to review and approve information on the Contractor's website pertaining to CPLTC education, customer service, and enrollment.

B. Development of Employer or Other Affinity Organization Outreach

1) Identify employers, labor unions and associations to sponsor a LTC insurance offering to reach the middle-income consumer.

2) Develop and implement successful employer, or union/association outreach strategies, including related education and other materials, for successfully marketing the CPLTC-approved policies in the work site. The strategies will take advantage of the State's endorsement, as well as build on the employees' affinity with their employers, unions or associations.

3) Build plan sponsor support through all levels of the employer management team to ensure active support for, and employee confidence in, the offering, and to ensure appropriate access to employees or association/union members.

4) Interface with employers' offices in a wide variety of formats. The CPLTC will attempt, but not commit, to assisting Contractors in accessing these markets.

C. Consumer Education and Marketing

1) The consumer marketing materials must meet all applicable marketing provisions of the California Insurance Code and the CPLTC Regulations.

2) The Contractor must obtain CPLTC approval of all consumer communication materials before distribution, as well as all material and curricula used to train counselors, agents, etc., on the Partnership program.

3) The Contractor must develop employee, union, and association-based solicitation and education packets and distribute marketing materials designed for the target population. The Contractor must develop consumer education and solicitation material specific to each of the distribution channels being utilized. The target population includes California

residents between the ages of 40 and 74 with assets greater than $36,500 and includes active employees, retirees, and their spouses, parents and parents-in-law.

Product design information and other consumer education and sales material must be designed specifically (modified) for each audience listed above. Similarly, materials developed for use for seminar sales will differ from the marketing materials and tools used by an agent when approaching a prospective purchaser one-on-one.

4) The Contractor must provide potential purchasers with information necessary to evaluate the advantages and disadvantages of obtaining Partnership long-term care insurance under this offering. This information shall include:

   a) The principal long-term care benefits and coverage available under this offering, the CPLTC plan options, and how those benefits and coverage compare to other long-term care benefits and coverage generally available;

   b) The advantages and disadvantages of long-term care insurance in general, relative to other means of accumulating the resources that may be needed to meet the costs of long-term care, such as through tax-qualified retirement programs or other investment vehicles. (This could be achieved by distributing information from other sources.); and,

   c) A simplified presentation or written summary of multiple options so that prospective purchasers can compare and understand the products and be able to make appropriate decisions and will not be overwhelmed by the choices available to them.

5) The Contractor shall not use the CPLTC/State endorsement or any leads provided by the CPLTC to:

   a) Market other products without the written authorization of the CPLTC;

   b) Allow agents to market other products (e.g., homeowners or disability insurance, annuities) without the written authorization of the CPLTC; or

   c) Use names of potential purchasers, employers and employees, for any purpose other than those related to the CPLTC without the written authorization of the potential purchasers, employers and employees and the CPLTC.

D. Underwriting

The Contractor is responsible for all underwriting by directly or indirectly insuring the risk of the Partnership LTC insurance product on claims and other plan costs. Contractors' premiums assume use of:

1) Underwriting guidelines that meet the relevant requirements of the California Insurance Code and the Partnership Regulation;

2) An underwriting structure that will support the issuance of both standard and non-standard coverages; and,

3) A reasonable grace period for people with birthdays close to the time of application (e.g., pricing based on age at application rather than nearest birthday).

E. Enrollment and Billing

1) The Contractor is solely responsible for all enrollment and billing activities. The Partnership will not be involved in collection of applications, premiums or any billing procedure.

2) The Contractor must meet the relevant enrollment and billing requirements of the California Insurance Code and Partnership Regulations.

3) The Contractor will negotiate with employers and unions on payroll deductions, retirement plan deductions and automatic debit methods of premium payment for employees, retirees, spouses or domestic partners.

4) The Contractor will negotiate with employers on whether employees and annuitants may authorize payroll/annuity deductions for their relatives, even if the employee/annuitant does not elect coverage.

5) The Contractor must perform the work necessary to handle enrollment via the Internet, interactive voice response (IVR) systems, etc., in addition to paper applications.

6) The Contractor must maintain the security and confidentiality of all applicant files. The Contractor must meet all applicable privacy, security, and Electronic Data Interface (EDI) requirements of the federal Health Insurance Portability and Accountability Act of 1996 (HIPAA) (Public Law 104-191).

7) The Contractor must assure that all agents meet the continuing education requirements contained in the California Insurance Code and Partnership Regulations, as well as any other agreed upon training, prior to involvement in any marketing or enrollment activities.

8) The Contractor must assure that counselors, customer service representatives or other non-agent staff who provide consumers with information on the offering are properly and adequately trained prior to involvement in any marketing or enrollment activities.

9) The Contractor must confirm that applicants use a residential address in California and that they are 18 years of age or older before enrolling them in a Partnership plan.

F. Customer Service

1) The Contractor must provide first-rate customer service meeting or exceeding the standards set forth by the CPLTC and as included in Exhibit A-Attachment I, or as mutually negotiated by the Contractor and CDHS.

2) The Contractor must meet the relevant customer service requirements of the California Insurance Code and Partnership Regulations as stated in the California Code of Regulations.

3) The Contractor will provide adequate and trained customer service staff for all initial and future enrollment activities and perform work necessary to handle enrollment via the Internet, interactive voice response, paper applications, etc. The required services will be performed at location(s) designated by the Contractor, at a minimum, from Monday through Friday, 8 am to 5 pm Pacific Time, except on Federal and California State holidays.

4) The Contractor will provide and maintain a toll-free number for Partnership policy applicants and policyholders.

5) The CPLTC reserves the right to review and approve information on the Contractor's web site for CPLTC education, customer service, and enrollment.

6) The Contractor must provide basic administrative training and materials to CPLTC and the Health Insurance Counseling and Advocacy Program staff, as required.

7) The Contractor shall submit monthly reports on actual performance outcomes related to the Performance Standards as set forth by the CPLTC, or negotiated between the Contractor and the CDHS. The Contractor will also submit monthly a written summary of significant activities that occurred during the month, and past or anticipated issues or problems to the attention of the CPLTC Project Director.

G. Claims Administration and Care Coordination

1) Care coordination is an integral part of the CPLTC program. In accordance with the CPLTC regulations, the Contractor must contract with and utilize the services of Care Management Provider Agencies (CMPA) approved by the CDHS. The CMPA must be independent of the Contractor. The Contractor shall provide ongoing supervision and monitoring of the performance of the CMPA. The Contractor must establish and maintain an infrastructure to perform the following claims-related services:

   a) The Contractor will notify the Care Management Provider Agency (CMPA) of the need for assessment within one business day of notice of the claim by the plan participant.

   b) The CMPA will assign the request for the face-to-face benefit eligibility assessment to the appropriate geographical partner agency within one business day of receipt of the face-to-face benefit eligibility assessment request.

   c) Upon receipt of the request for Care Management, the Care Manager will immediately contact the client by phone and schedule a face-to-face appointment for a complete assessment within two business days after receiving the referral from the CMPA.

   d) The Care Manager must complete the face-to-face assessment within two business days of setting the appointment at the location of the claimant. The assessment document, which requires prior approval by the CPLTC, will evaluate the need for assistance with Activities of Daily Living (ADL) and Instrumental Activities of Daily Living (IADL); informal support systems; environmental and health history; etc. The Care Manager will also assess whether or not the claimant has a cognitive impairment through the use of nationally recognized standardized tests. The certification that the

individual will be chronically ill for at least 90 days will be done by the Care Manager at this time.

e) The results of the face-to-face assessment will be sent to the Contractor within two business days after the assessment. The Contractor will determine the claimant's eligibility for benefits, however, the CMPA must determine whether the claimant is chronically ill (i.e., need for assistance to perform ADLs , or cognitive impairment is likely to last 90 days or more). Performance Standard: 95% of all assessments must be performed, completed and returned to the Contractor by the CMPA within five (5) days of receipt of the notice from the Contractor.

f) The Contractor will review the information presented by the Care Manager via the benefit eligibility assessment and determine whether the claim does or does not meet the definition of an Insured Event. If the Contractor determines the claim meets the definition of an Insured Event, the Contractor will send an approval letter to the claimant. Within one business day, the Contractor will contact the CMPA to request a Plan of Care (POC). The CMPA will complete the POC within two business days, and discuss the POC with the claimant and claimant's family and/or authorized representative. This assumes the POC was not completed at the same time as the assessment. A copy of the POC will be provided to the Contractor and to the claimant and/or their representative. The Contractor will assure that claimants are only reimbursed for services included in the POC developed by the CMPA. The care plan will identify the type and frequency of services the claimant requires, including services not covered under the policy and will include a list of at least three providers. At the time of care plan development, the Care Manager will assess the need for care coordination and monitoring. If the need is present and the claimant requests assistance, the Care Manager will notify the Contractor. The Care Manager will make routine telephone contact at least every 30 days to assess the continued appropriateness of the POC. Changes to the POC will be made as necessary and will include discussions with the provider, client, family and Contractor, obtaining authorizations and documentation. A written progress note will be prepared at least every 60 days.

g) The Care Manager will complete a face to face re-assessment at least every six months to ensure needs are continuing to be met.

h) The Care Manager will prepare a discharge plan for the claimant within sixty days prior to benefit exhaustion.

2) The Contractor is responsible for the administration and payment of claims, and must:

a) Ensure procedures and systems for benefit eligibility, claims processing and coordination of benefits comply with all requirements of the California Insurance Code and Partnership Regulations, and HIPAA privacy, security and Electronic Data Interchange (EDI) regulations;

b) Administer appropriate Coordination of Benefits provisions;

c) Work with care coordinators to substantiate a claim for benefits;

d) Establish quality assurance guidelines and audit procedures for independent vendors contracting with the program;

e) Have the capacity to issue policy and/or certificate holders the quarterly and final reports on remaining policy benefits and earned Medi-Cal asset protection; and,

f) Coordinate appropriately with staff responsible for providing the required Insurance Uniform Data Set (IUDS) and other reports.

3) The Contractor will also:

a) Provide long-term care referral information to relatives of policyholders who may or may not be plan participants, even if the referral information is not specifically for the policyholder. Services provided to non-insureds may be charged to the relatives at cost or provided without cost; and,

b) Work in coordination with the CMPA to assist policyholders to locate suitable facility care and home care providers, and negotiate discount arrangements.

H. Reporting

1) The Contractor will adhere to the CPLTC Reporting Requirements and furnish reports that the CPLTC determines to be necessary to monitor and assess the success of the program. Reports will be submitted in their entirety as listed in the California Code of Regulations.

2) The Contractor will be required to maintain and submit files to the Partnership on a quarterly basis as part of the Insurance Uniform Data Set (IUDS). The IUDS reporting requirement is the same used in all Partnership states (Connecticut, New York, Indiana and California). Included in the reporting is information on new insureds, dropped/changed policies, eligibility assessments, and service utilization.

3) As required by Regulations, the Contractor will have an automated system in place to promptly and accurately issue documents and provide service summaries, sales and utilization reports, lapse rates, third party designee information, etc.

4) The Contractor will hold confidential CPLTC data and agree to not use any CPLTC data for any reason other than CPLTC activities unless authorized in writing by the CPLTC; maintain security and confidentiality of all files; and, meet HIPAA privacy, security and EDI rules.

I. Plan Design

1) The Contractor will design and administer one or more CDHS-endorsed Partnership LTC insurance offerings. Group and individual products will be considered. All plan designs must comply with the applicable requirements of the California Insurance Code and the applicable provisions of Partnership statute and regulations.

The insurance products must be offered to California residents age 18 and older. Sales efforts should be focused on consumers between the ages of 40 and 74 with assets greater

than $36,500, provided that the annual premium does not exceed 7% of an individual's annual income. Historically, the CPLTC's primary target audience is middle-income individuals, aged 55 to 74. These individuals are estimated to benefit most from a LTC insurance policy of shorter duration. In addition to more affordable premiums, a CPLTC policy of shorter duration will allow the Medi-Cal asset protection feature to be most meaningful to middle-income individuals. Plan design for this Contract, however, must also be directed to the employer market and younger, active employees and retirees. The plans should also be designed to be attractive to the parents and parents-in-law of active employees and retirees. (These requirements do not preclude the sale of Partnership policies to other California residents.)

2) Plans must be designed to be effective within the distribution approach proposed, including a direct-response distribution system.

3) The Contractor can propose plan designs that allow for alternatives to built-in inflation adjustments, as long as it is assured that the plan benefits will keep up with the future costs of LTC.

4) The Contractor can offer any other options and features which may be unique to its company, or which it feels would be advantageous to this offering. The CPLTC will use these options and/or features to gauge the Contractor's sense of innovation, and its knowledge of the target population and the LTC industry. The CPLTC may include the options and/or features proposed by the Contractor, if cost effective and desirable, in the final plan design. However, the CDHS will not award a contract based solely on proposals for an alternative design. The Contractor must provide details of the design and indicate the estimated impact on premiums, if an innovative benefit design is offered.

5) The CPLTC is open to innovative suggestions for spousal and family benefits. They may include a spousal premium discount, an offering of a combined pool (spouse only) of benefit dollars, waiver of both spouses' premiums if one spouse goes on claim, or other optional benefits.

J. Financial Responsibility

1) The Contractor must be willing to abide with the applicable requirements of the California Insurance Code and Partnership Regulations.

2) The Contractor must be willing to negotiate the form and level of proposed rate increases with the CDHS, and abide by all requirements of the Insurance Code related to long-term care insurance premiums.

3) The Contractor will be responsible for supplying an annual accounting within 90 days of the end of the plan/contract year, in a pre-established and agreed upon format. The accounting will specify:
   a) Premiums received;
   b) Claims paid or charged;
   c) Administrative expenses charged;
   d) Risk charges;
   e) Investment earnings credited; and,

f) The reserve balance based on the accounting component listed above.

4) In the annual accounting, the Contractor will also provide their actuarially-determined reserve amounts for:
   a) IBNR claims;
   b) Active life reserves; and,
   c) Disabled life reserves.

5) The Contractor will be expected to provide definitions of terms (e.g., "administrative expenses") and note the underlying interest rates being applied to reserves. The Contractor must also note the net amount that would have been transferable to a successor carrier as of the end of the plan/contract year and its underlying transfer charges, market value, adjustments, etc.

Exhibit B - Rate Quotation Form Assuming Stable Rates

Please provide your rates for the plan designs specified. Please assume that premiums will be paid quarterly. Quarterly Rates Per $100 Maximum Daily; 100% Nursing Home, 70% Residential Care Facility, 50% Monthly Home and Community Based Care Benefit; Waiver of Premium During Any Period of Confinement in a LTC Facility; No Waiting Period for Preexisting Conditions Disclosed in the Application; 21-Day Per Year Bed Reservation Benefit; Use of Independent Care Management Agencies; No Return of Premium or Non-Forfeiture Benefits, Inflation Protection: 5% Compound Annual Assuming Stable Rates. Note: Plan designs used are for rate comparison purposes only.

Entry Age	30 day EP, I year duration, $36,500 Initial benefit pool	30 day EP, 2 year duration, $73,000 initial benefit pool	90 day EP, 3 year duration, $109,500 initial benefit pool	90 day EP, 5 year duration, $182,500 initial benefit pool	90 day EP, lifetime duration, unlimited benefit pool
18					
19					
20					
21					
22					
23					
24					
25					
26					
27					
28					
29					
30					
31					
32					
33					
34					
35					
36					
37					
38					
39					
40					
41					
42					
43					
44					
45					
46					
47					
48					
49					

50					
51					
52					
53					
54					
55					
56					
57					
58					
59					
60					
61					
62					
63					
64					
65					
66					
67					
68					
69					
70					
71					
72					
73					
74					
75					
76					
77					
78					
79					
80					
81					
82					
83					
84					
85+					
List Ages					

Rate Guarantee_____ Years

(CPLTC Regulations stipulate a rate guarantee of no less than 10 years)

Contract Sited in California

Estimated Average Premium for this group (net of commission) _____

Exhibit A/Attachment I – Performance/Customer Services Standards

The following are administrative performance standards required by the CPLTC for the work identified in the Scope of Work for Invitation to Participate No. 02-25103.

1. Eligibility
   - A. For group- and association-sponsored plans, the Contractor must update eligibility files with plan sponsor eligibility data (i.e., additions, deletions, corrections) within two business days of receipt.
   - B. For individual, association and group plans, the Contractor must confirm, before issuing coverage, that applicants:
     1) List a California home address; and,
     2) Are 18 years of age or older.

2. Claim Response Time
   - A. The maximum time period between date a claim is received by the Contractor and the date of payment (or denial) must no greater than:
     1) 10 business days for 85% of all claims (assuming all claims have complete information and/or adequate clarification of additional questions); and,
     2) 20 business days for 99% of all claims (assuming all claims provide complete information and/or adequate clarification of additional questions).
   - B. Issuance of requests to the policyholder or the provider for additional data shall occur within:
     1) 10 business days from date of claim receipt for 85% of all claims; and
     2) 20 business days from data of claim receipt for 99% of all claims.
   - C. The Contractor must ensure that the performance guarantees are measurable using the vendor's existing information systems.

3. Claim Accuracy
   - A. Financial Payment Accuracy: The acceptable error rate for the first year of the contract must be 1.0% and .7% for each subsequent contract year. Financial payment accuracy is to be calculated as total paid dollars minus the absolute value of over- and underpayments, divided by total paid dollars.
   - B. Claims Processing Accuracy: The acceptable error rate for the first year of the contract must be 5% and 4% for subsequent contract years. Claims processing accuracy is to be calculated as the total number of claims minus the number of claims with errors (e.g., coding, procedural, system, payment), divided by the total number of claims.
   - C. Although the Contractor must provide regular reports concerning claim accuracy (see Reporting Requirements for guidelines), the Contractor must agree to being audited by the State, or its designated representative, at least once per year during normal business hours. The Contractor must also provide necessary hard copy files, electronic files, system access, and personnel access during these audits, following advance notice of at least three working days.

4. Member Satisfaction
   A. At least 85% of plan participants must be satisfied with the Contractor's customer service as measured by an annual plan participant survey.

5. Handling of Written Inquiries
   A. 95% of written inquiries that the Contractor receives either from providers or plan participants must be answered within five business days, and,
   B. 100% within 10 business days.
   C. The response time is to be calculated from the date of receipt by the Contractor to final resolution.

6. Telephone Responsiveness
   A. 100% of phone inquiries must be returned within one business day.
   B. The toll-free telephone line for applicants and plan participants must have no more than 5% lost calls during normal business hours.
   C. 90% or more of calls to the toll-free telephone system must be answered within 30 seconds of being placed on hold during normal business hours.

7. Contract Management
   A. Calls from the State must be returned within one business day.
   B. Written inquiries from the State must be answered within five business days, as counted from date of receipt.
   C. The Contractor must submit monthly, a brief written summary of significant activities during the month, and past or anticipated issues or problems for the attention of the CPLTC Project Director.
   D. The CPLTC must meet with the Contractor's project manager quarterly during the first contract year, at a minimum, for the purpose of reviewing progress and providing necessary guidance to the Contractor in solving problems that arise.

8. Care Management
   A. 95% of all assessments must be performed, completed, and returned to the Contractor by the Care Management Provider Agency within five (5) business days of receipt of the notice from the Contractor.